

**REGISTRAR'S
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Company Registration No. 07453589 (England and Wales)

**PATON CAPITAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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PATON CAPITAL LIMITED

COMPANY INFORMATION

Directors	A J Cushen N H Paton
Company number	07453589
Registered office	30 Camp Road Farnborough Hampshire GU14 6EW
Auditor	Haines Watts Advantage 87 Castle Street Reading Berks RG1 7SN
Business address	Capital House Guildford Road Runfold Farnham Surrey GU10 1PG

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PATON CAPITAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

In line with the strategic plans, the group significantly increased its activities during the year. The expansion is due to investment in increased staffing and expanding departments resulting in greater capacity to manage projects. Continuing relationships with existing clients: Village Urban Resorts, Arbor Hotels, Malmaison Hotels and De Vere produced additional projects. The group continues to develop new relationships and expand its client portfolio.

Strong growth in turnover has continued since the year end. The group focuses on the delivery of full turnkey hotel refurbishment projects to include bedrooms, bars, restaurants, receptions, leisure refurbishments as well as bespoke construction projects.

Margins have improved as planned by the introduction of new systems and management procedures and expanding the programme management and procurement teams all aiding the monitoring of direct costs and overheads.

Principal risks and uncertainties

The balance sheet is strong with sufficient working capital to fund ongoing contracts, growth opportunities or to withstand unforeseen events.

All of the group's work is within the United Kingdom, and is unlikely to be affected by Brexit other than the effect of general confidence in the UK economy. Fluctuations in foreign exchange rates will have a minor impact as small amount of purchases of materials are sourced from the EU in Euros.

During the year the group's safety record has been extremely good.

Development and performance

Research and development work was performed in respect of bath and shower panels and the new innovations were introduced to the product range.

Key performance indicators

The key financial highlights are as follows:

	2017 £	2016 £
Turnover	19,792,958	15,402,265
Gross Profit	5,226,701	3,489,004
Profit before taxation	3,680,475	2,655,244

Other information and explanations

The directors would like to thank all the staff for their hard work and loyalty during the year.

On behalf of the board


N H Paton

Director

Dated: 19/12/17



PATON CAPITAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the company continued to be that of a holding and investment company. The subsidiary companies continued to be involved in building development and the fabrication of metalwork products.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A J Cushen
N H Paton

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £635,000. The directors do not recommend payment of a further dividend.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

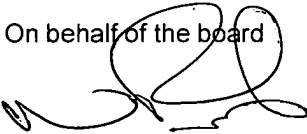
PATON CAPITAL LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



.....
N H Paton

Director

Date: 19/12/17

PATON CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PATON CAPITAL LIMITED

We have audited the financial statements of Paton Capital Limited for the year ended 31 March 2017 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

PATON CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PATON CAPITAL LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the company is entitled to claim exemption in preparing a strategic report due to it being a member of an ineligible group.



Adrian Williams ACA FCCA
(Senior Statutory Auditor)
for and on behalf of Haines Watts

Chartered Accountants
Statutory Auditor

20 December 2017

Advantage
87 Castle Street
Reading
Berks
RG1 7SN

PATON CAPITAL LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Turnover	3	19,792,958	15,402,265
Cost of sales		(14,566,257)	(11,913,261)
Gross profit		<u>5,226,701</u>	<u>3,489,004</u>
Administrative expenses		(1,653,956)	(830,947)
Other operating income		115,665	5,577
Operating profit	4	<u>3,688,410</u>	<u>2,663,634</u>
Interest receivable and similar income		-	40
Interest payable and similar expenses	7	(7,935)	(8,430)
Profit before taxation		<u>3,680,475</u>	<u>2,655,244</u>
Tax on profit	8	(741,895)	(507,216)
Profit for the financial year		<u><u>2,938,580</u></u>	<u><u>2,148,028</u></u>

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

PATON CAPITAL LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	10		675,006		310,534
Investment properties	11		385,735		385,735
			<u>1,060,741</u>		<u>696,269</u>
Current assets					
Stocks	15	609,811		362,305	
Debtors	16	2,797,172		4,099,399	
Cash at bank and in hand		2,143,599		657,130	
		<u>5,550,582</u>		<u>5,118,834</u>	
Creditors: amounts falling due within one year	17	(1,944,904)		(3,455,919)	
Net current assets			<u>3,605,678</u>		<u>1,662,915</u>
Total assets less current liabilities			<u>4,666,419</u>		<u>2,359,184</u>
Creditors: amounts falling due after more than one year	18		(146,488)		(143,542)
Provisions for liabilities	21		(44,837)		(44,128)
Net assets			<u>4,475,094</u>		<u>2,171,514</u>
Capital and reserves					
Called up share capital	22		100		100
Profit and loss reserves			4,474,994		2,171,414
Total equity			<u>4,475,094</u>		<u>2,171,514</u>

The financial statements were approved by the board of directors and authorised for issue on ... 19/12/17 ... and are signed on its behalf by:



 N H Paton
 Director

PATON CAPITAL LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Investment properties	11		385,735		385,735
Investments	12		1,100		1,100
			<u>386,835</u>		<u>386,835</u>
Current assets					
Debtors	16		-		60,646
Cash at bank and in hand			1,973,792		7,125
			<u>1,973,792</u>		<u>67,771</u>
Creditors: amounts falling due within one year	17		<u>(2,206,658)</u>		<u>(329,307)</u>
Net current liabilities			<u>(232,866)</u>		<u>(261,536)</u>
Total assets less current liabilities			153,969		125,299
Creditors: amounts falling due after more than one year	18		<u>(112,249)</u>		<u>(123,985)</u>
Net assets			<u>41,720</u>		<u>1,314</u>
Capital and reserves					
Called up share capital	22		100		100
Profit and loss reserves			41,620		1,214
Total equity			<u>41,720</u>		<u>1,314</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £675,406 (2016 - £679,388 profit).

The financial statements were approved by the board of directors and authorised for issue on 19.12.17 and are signed on its behalf by:


.....
N H Paton
Director

Company Registration No. 07453589

PATON CAPITAL LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2015		100	833,386	833,486
Year ended 31 March 2016:				
Profit and total comprehensive income for the year		-	2,148,028	2,148,028
Dividends	9	-	(810,000)	(810,000)
Balance at 31 March 2016		100	2,171,414	2,171,514
Year ended 31 March 2017:				
Profit and total comprehensive income for the year		-	2,938,580	2,938,580
Dividends	9	-	(635,000)	(635,000)
Balance at 31 March 2017		100	4,474,994	4,475,094

PATON CAPITAL LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2015		100	131,826	131,926
Year ended 31 March 2016:				
Profit and total comprehensive income for the year		-	679,388	679,388
Dividends	9	-	(810,000)	(810,000)
Balance at 31 March 2016		100	1,214	1,314
Year ended 31 March 2017:				
Profit and total comprehensive income for the year		-	675,406	675,406
Dividends	9	-	(635,000)	(635,000)
Balance at 31 March 2017		100	41,620	41,720

PATON CAPITAL LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017		2016	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	26	4,024,399		1,459,504	
Interest paid		(7,935)		(8,430)	
Income taxes paid		(840,021)		(94,577)	
Net cash inflow from operating activities		3,176,443		1,356,497	
Investing activities					
Purchase of tangible fixed assets		(447,348)		(211,215)	
Other investments and loans made		(615,457)		(9,770)	
Interest received		-		40	
Net cash used in investing activities		(1,062,805)		(220,945)	
Financing activities					
Repayment of bank loans		(11,234)		(10,672)	
Payment of finance leases obligations		19,065		(11,669)	
Dividends paid to equity shareholders		(635,000)		(810,000)	
Net cash used in financing activities		(627,169)		(832,341)	
Net increase in cash and cash equivalents		1,486,469		303,211	
Cash and cash equivalents at beginning of year		657,130		353,919	
Cash and cash equivalents at end of year		2,143,599		657,130	

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

Paton Capital Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 30 Camp Road, Farnborough, Hampshire, GU14 6EW.

The group consists of Paton Capital Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Paton Capital Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date based on surveys and work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	10% straight line
Leasehold improvements	20% straight line
Plant and machinery	15% straight line
Fixtures, fittings and equipment	25% straight line
Computer equipment	33% reducing balance
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are measured at cost.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The primary area involving significant judgements is the stage of completion of projects, in the context of the recognition of income.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

3 Turnover and other revenue

	2017	2016
	£	£
Turnover analysed by class of business		
Revenue from construction contracts and sale of goods	19,484,234	15,114,343
Distribution income	308,724	287,922
	<u>19,792,958</u>	<u>15,402,265</u>

4 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	24,013	(128)
Depreciation of owned tangible fixed assets	68,177	76,049
Depreciation of tangible fixed assets held under finance leases	14,699	11,175
Cost of stocks recognised as an expense	6,610,382	4,305,244
Operating lease charges	151,556	73,625
	<u>151,556</u>	<u>73,625</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £24,013 (2016 - £128).

5 Auditor's remuneration

	2017	2016
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	2,400	-
Audit of the financial statements of the company's subsidiaries	20,000	16,750
	<u>22,400</u>	<u>16,750</u>
For other services		
All other non-audit services	26,878	22,349
	<u>26,878</u>	<u>22,349</u>

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Warehouse	3	2	-	-
Site	4	4	-	-
Office	17	12	-	-
	<u>24</u>	<u>18</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	1,311,588	919,501	-	-
Social security costs	140,484	81,340	-	-
Pension costs	11,170	-	-	-
	<u>1,463,242</u>	<u>1,000,841</u>	<u>-</u>	<u>-</u>

7 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	5,408	6,093
Interest on finance leases and hire purchase contracts	2,144	1,651
	<u>7,552</u>	<u>7,744</u>
Other finance costs:		
Other interest	383	686
Total finance costs	<u>7,935</u>	<u>8,430</u>

8 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	742,275	502,912
Adjustments in respect of prior periods	(807)	(12,084)
Total current tax	<u>741,468</u>	<u>490,828</u>

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

8 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	427	16,388
	<u> </u>	<u> </u>
Total tax charge for the year	741,895	507,216
	<u> </u>	<u> </u>

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	3,680,475	2,655,244
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	736,095	531,049
Tax effect of expenses that are not deductible in determining taxable profit	937	2,874
Tax effect of utilisation of tax losses not previously recognised	11,063	-
Adjustments in respect of prior years	(807)	(12,084)
Permanent capital allowances in excess of depreciation	(23,655)	(26,064)
Depreciation on assets not qualifying for tax allowances	16,576	17,445
Adjustments in respect of financial assets	(2,940)	(2,235)
Research and development tax credit	-	(20,257)
Deferred tax movements	427	16,388
Other tax adjustments	4,199	100
	<u> </u>	<u> </u>
Taxation charge for the year	741,895	507,216
	<u> </u>	<u> </u>

9 Dividends

	2017 £	2016 £
Interim paid	635,000	810,000
	<u> </u>	<u> </u>

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

10 Tangible fixed assets

Group	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 April 2016	77,807	-	116,302	1,632	107,184	244,220	547,145
Additions	293,481	3,824	38,936	8,144	55,721	47,242	447,348
At 31 March 2017	371,288	3,824	155,238	9,776	162,905	291,462	994,493
Depreciation and impairment							
At 1 April 2016	3,053	-	43,064	550	70,880	119,064	236,611
Depreciation charged in the year	7,781	1,103	14,224	1,442	19,060	39,266	82,876
At 31 March 2017	10,834	1,103	57,288	1,992	89,940	158,330	319,487
Carrying amount							
At 31 March 2017	360,454	2,721	97,950	7,784	72,965	133,132	675,006
At 31 March 2016	74,754	-	73,238	1,082	36,304	125,156	310,534

The company had no tangible fixed assets at 31 March 2017 or 31 March 2016.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

10 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2017 £	2016 £	Company 2017 £	2016 £
Motor vehicles	51,278	30,735	-	-
Depreciation charge for the year in respect of leased assets	14,699	11,175	-	-

11 Investment property

	Group 2017 £	Company 2017 £
Fair value		
At 1 April 2016 and 31 March 2017	385,735	385,735

The fair value of the investment property has been arrived at on the basis of a valuation carried out at 23 July 2014 by Christopher Winser Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. The value was subsequently updated by the directors in the years ended 31 March 2016 and 31 March 2017.

12 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	13	-	-	1,100	1,100

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 April 2016 and 31 March 2017	1,100
Carrying amount	
At 31 March 2017	1,100
At 31 March 2016	1,100

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

13 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Capital Fabrication Limited	England and Wales	Steel work manufacture	Ordinary	100.00	
Paton Developments Limited	England and Wales	Building development	Ordinary	100.00	

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Capital Fabrication Limited	(29,017)	33,581
Paton Developments Limited	2,890,298	4,349,000

14 Financial instruments

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,491,573	2,125,221	-	60,646
Carrying amount of financial liabilities				
Measured at amortised cost	1,412,987	2,637,447	2,313,476	447,056

15 Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Work in progress	383,911	55,536	-	-
Finished goods and goods for resale	225,900	306,769	-	-
	609,811	362,305	-	-

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

16 Debtors

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	780,671	1,737,922	-	-
Gross amounts due from contract customers	1,156,678	1,919,190	-	-
Corporation tax recoverable	-	12,084	-	-
Amounts owed by group undertakings	-	-	-	60,646
Other debtors	710,902	387,299	-	-
Prepayments and accrued income	148,639	42,904	-	-
	<u>2,796,890</u>	<u>4,099,399</u>	<u>-</u>	<u>60,646</u>
Deferred tax asset (note 21)	282	-	-	-
	<u>2,797,172</u>	<u>4,099,399</u>	<u>-</u>	<u>60,646</u>

17 Creditors: amounts falling due within one year

	Group 2017	2016	Company 2017	2016
Notes	£	£	£	£
Bank loans and overdrafts	19	11,623	11,121	11,121
Obligations under finance leases	20	15,559	11,176	-
Trade creditors		670,952	1,266,731	-
Amounts due to group undertakings		-	-	2,183,604
Corporation tax payable		392,275	502,912	5,431
Other taxation and social security		286,130	459,102	-
Other creditors		269,772	961,528	-
Accruals and deferred income		298,593	243,349	6,000
		<u>1,944,904</u>	<u>3,455,919</u>	<u>2,206,658</u>
		<u>1,944,904</u>	<u>3,455,919</u>	<u>329,307</u>

18 Creditors: amounts falling due after more than one year

	Group 2017	2016	Company 2017	2016
Notes	£	£	£	£
Bank loans and overdrafts	19	112,249	123,985	112,249
Obligations under finance leases	20	34,239	19,557	-
		<u>146,488</u>	<u>143,542</u>	<u>112,249</u>
		<u>146,488</u>	<u>143,542</u>	<u>123,985</u>

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

19 Loans and overdrafts

	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans	123,872	135,106	123,872	135,106
Payable within one year	11,623	11,121	11,623	11,121
Payable after one year	112,249	123,985	112,249	123,985

The bank loan is secured by way of a first legal charge over the company's freehold property.

20 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Within one year	17,704	13,320	-	-
In two to five years	40,231	23,308	-	-
	57,935	36,628	-	-
Less: future finance charges	(8,137)	(5,895)	-	-
	49,798	30,733	-	-

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Group				
Accelerated capital allowances	44,837	44,128	282	-

The company has no deferred tax assets or liabilities.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

21 Deferred taxation (Continued)

	Group 2017 £	Company 2017 £
Movements in the year:		
Liability at 1 April 2016	44,128	-
Charge to profit or loss	427	-
Liability at 31 March 2017	<u>44,555</u>	<u>-</u>

The deferred tax asset set out above is expected to reverse and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above may not reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

22 Share capital

	Group and company	
	2017 £	2016 £
Ordinary share capital Issued and fully paid		
100 Ordinary shares of £1 each	100	100

23 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Within one year	198,218	103,045	-	-
Between two and five years	782,106	382,252	-	-
	<u>980,324</u>	<u>485,297</u>	<u>-</u>	<u>-</u>

24 Directors' transactions

During the year, interest free loans were granted to certain directors of the group. The total amount owed by the directors at the year end was £625,228 (2016 - £9,770). The closing balance on these loans was the maximum amount overdrawn during the year. The loans are repayable on demand.

25 Controlling party

The ultimate controlling party is N H Paton, director.

PATON CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

26 Cash generated from group operations

	2017 £	2016 £
Profit for the year after tax	2,938,580	2,148,028
Adjustments for:		
Taxation charged	741,895	507,216
Finance costs	7,935	8,430
Investment income	-	(40)
Depreciation and impairment of tangible fixed assets	82,876	87,224
Movements in working capital:		
(Increase) in stocks	(247,506)	(280,059)
Decrease/(increase) in debtors	1,905,882	(2,559,669)
(Decrease)/increase in creditors	(1,405,263)	1,548,374
Cash generated from operations	4,024,399	1,459,504